CAMBRIDGE
OCR

Level 3 Award in Personal Finance

H056 Unit F220: Personal finance

Sample Assessment Material (SAM)

Time allowed: 1 hour

You can use:

- a calculator

Please write clearly in black ink. **Do not write in the barcodes.**

Centre number | | | | | | Candidate number | | | | |

First name(s) _____

Last name _____

Date of birth | D | D | M | M | Y | Y | Y | Y |

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- In the live exam there might be lined pages at the end of the question paper for you to use if you need extra space. Remember, you must clearly show the question numbers.
- Answer **all** the questions.

INFORMATION

- The total mark for this paper is **50**.
- The marks for each question are shown in brackets **[ ]**.
- This document has **16** pages.

ADVICE

- Read each question carefully before you start your answer.

SAMPLE

Section A

Read the case study and answer questions 1 – 8

Anika

Anika is a student studying for a degree at Lancaster University.

Anika pays the rent for her accommodation using a student loan. Her family gives her £400 per month for groceries, socialising and other spending.

In the university holidays Anika works in a café close to where she lives. She saves some of her earnings.

Anika is about to start the final year of her university degree. When she finishes university, she wants to work in Manchester. She knows that it will be expensive to rent a flat in the city centre.

Anika wants to save some money during the next year that she can use as a rental deposit for a flat.

Anika also knows that when she moves to Manchester she will need to buy work clothes plus pay for one month's groceries, utilities, socialising and her mobile phone contract, before she receives her first month's salary.

1 Which is an asset?

Tick (✓) **one** box.

- Broadband ☐
- Computer ☐
- Rent ☐
- Streaming service ☐

[1]

SAMPLE

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2 What will impact the rate of interest paid on a savings account?

Tick (✓) **one** box.

- Gross pay ☐
- Net pay ☐
- The base rate ☐
- The tax rate ☐

[1]

3 Which is a consumption tax?

Tick (✓) **one** box.

- Council tax ☐
- Income tax ☐
- MOT ☐
- VAT ☐

[1]

SAMPLE

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4 Anika has produced a budget of her estimated incomings and outgoings to help her save for a flat rental deposit. She thinks that she will need to save £850 if she is going to pay the full deposit from her savings.

Anika's budget

	September (£)	October (£)	November (£)	December (£)	January (£)	February (£)	March (£)	April (£)	May (£)
Incomings:									
Money from family	400	400	400	400	400	400	400	400	400
Café earnings	350	0	0	400	225	0	0	425	0
Total incomings	**750**	**400**	**400**	**800**	**625**	**400**	**400**	**825**	**400**
Outgoings:									
Groceries	100	145	145		85	145	85	125	155
Socialising	150	150	150	220	200	160	120	200	140
Mobile phone	65	65	65	65	65	65	65	65	65
Public transport	35	30	30	25	30	30	30	25	35
Books	120	0	0	0	15	0	0	5	10
Planned savings	280	0	0	400	220	0	0	400	0
Total outgoings	**750**	**390**	**390**	**800**	**615**	**400**	**300**	**820**	**405**

Use the information in Anika's budget to answer the questions below.

(a) Calculate Anika's spending on groceries for December.
Show your workings:

£.....

[2]

SAMPLE

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(b) Identify in which month Anika should have enough money saved for the flat rental deposit.

..... **[1]**

(c) If Anika does not spend any of her savings, identify in which month she will need to use a bank overdraft.

..... **[1]**

5 Anika wants to open a savings account where she can withdraw her money in an emergency.

Describe **two** types of savings account that Anika could open.

1 .....

.....

.....

.....

2 .....

.....

.....

.....

[4]

SAMPLE

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6 If Anika uses all her savings to pay the flat rental deposit, she plans to use her credit card to pay for a new television.

Explain **two** potential impacts for Anika of using a credit card to pay for a new television.

1 .....

.....

.....

.....

2 .....

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.....

.....

[4]

7 Identify **two** utilities that Anika will start to pay when she moves into the flat.

1 .....

2 .....

[2]

8 Anika aims to buy her own house eight years after finishing university.

Once she starts working in Manchester, she will open a Lifetime ISA to save for a house deposit.

Analyse **one** disadvantage to Anika of saving using a Lifetime ISA.

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..... **[3]**

SAMPLE

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Section B

Read the case study and answer questions 9 - 16

Dev and Amit

Dev is self-employed. He has owned his plumbing business for 20 years. When he started the business he completed an online course that taught him how to manage the finances of a small business.

Amit is a teaching assistant in a local school. She is not confident with money and 12 years ago had two long-term loans and a hire purchase agreement that she struggled to repay.

Dev and Amit have just moved into their first house together, along with Dev's two teenage children. They bought the house for £350 000 using a deposit of £80 000 and an off-set mortgage with a term of 15 years. They currently have joint savings of £36 000.

Now in their early 50's Dev and Amit are starting to think about the future. They want to buy items such as furniture for the new house, however they also want to start to plan for retirement. In retirement they want to be able to travel and spend more time on hobbies such as golf and cycling.

Dev and Amit enjoy socialising as a family and with friends. However, Amit thinks that they may need to reduce their discretionary spending if they want to save money for the future.

Dev does not currently pay into a pension scheme. Amit pays into a workplace pension.

9 Which is a source of income?

Tick (✓) **one** box.

- Health insurance ☐
- Interest from savings ☐
- National insurance ☐
- Personal loan ☐

[1]

SAMPLE

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10 What does CHAPS stand for?

Tick (✓) **one** box.

Clearing house automated payment system ☐

Credit house automated purchase system ☐

Crypto holding account purchase system ☐

Current holding account payment system ☐

[1]

11 Which type of pension could Dev choose to start paying into?

Tick (✓) **one** box.

Digital ☐

Private ☐

Self-assessment ☐

Workplace ☐

[1]

12

(a) Identify **one** example of discretionary spending for Dev and Amit.

..... **[1]**

(b) Explain why the example you have identified in **12(a)** is discretionary spending.

.....

.....

.....

[1]

SAMPLE

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13

(a) Dev and Amit have a joint current account which can only be accessed online. Amit is concerned about the risk of hacking.

Explain **two** ways that Dev and Amit could mitigate the risk of their current account being hacked.

1 .....

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.....

.....

2 .....

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[4]

(b) Dev and Amit have an offset mortgage.

Explain **two** consequences to Dev and Amit if they do not meet their mortgage repayments.

1 .....

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.....

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2 .....

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.....

.....

[4]

SAMPLE

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14 Dev and Amit need guidance about planning for retirement.

(a) Identify **two** appropriate sources of guidance for Dev and Amit.

Source 1 .....

Source 2 .....

[2]

(b) Explain why each source of guidance identified in **14(a)** is appropriate.

Source 1 .....

.....

.....

.....

Source 2 .....

.....

.....

.....

[2]

15 Amit currently pays into the workplace pension scheme offered by her employer.

Explain **two** benefits to an employee of paying into a workplace pension.

1 .....

.....

.....

.....

2 .....

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.....

.....

[4]

SAMPLE

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16 Dev and Amit want to buy furniture for their house. They are struggling to decide whether to use £25 000 of their savings or whether to buy from a retailer that offers a hire purchase scheme. The retailer is currently offering hire purchase with a low APR of 5%. They would pay for the furniture over five years.

Discuss whether Dev and Amit should buy the furniture using their savings or using hire purchase.

In your answer you **must** write about:

- an advantage and a disadvantage to Dev and Amit of using their savings.
- an advantage and a disadvantage to Dev and Amit of using the hire purchase scheme offered by the retailer.
- a recommendation of which option Dev and Amit should use. Give reasons for your decision.

[9]

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SAMPLE

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END OF QUESTION PAPER

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SAMPLE

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SAMPLE

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Level 3 Award in Personal Finance

Unit F220: Personal finance

Sample Assessment Material (SAM)

Mark scheme

This document has **10** pages.

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Marking instructions

Crossed-out answers

If a student has crossed out an answer and written a clear alternative, do **not** mark the crossed-out answer.

If a student has crossed out an answer and **not** written a clear alternative, give the student the benefit of the doubt and mark the crossed-out answer if it's readable.

Multiple choice question answers

When a multiple choice question has only one correct answer and a student has written two or more answers (even if one of these answers is correct), you should **not** award a mark.

When a student writes more than one answer

1. Questions that ask for a set number (including 1) of short answers or points

If a question asks for a set number of short answers or points (e.g. **two** reasons for something), mark only the **first set number** of answers/points.

First mark the answers/points against any printed numbers on the answer lines, marking the **first** answer/point written against each printed number. **Then**, if students have not followed the printed numbers, mark the answers/points from left to right on each line and **then** line by line until the set number of answers/points have been marked. Do **not** mark the remaining answers/points.

2. Questions that ask for a single developed answer

If a student has written two or more answers to a question that only requires a single (developed) answer, and has **not** crossed out unintended answers, mark only the first answer.

3. Contradictory answers in points-based questions

When a student has written contradictory answers, do **not** award any marks, even if one of the answers is correct.

Levels of Response marking

1. To determine the level start at the highest level and work down until you reach the level that best describes the answer

2. To determine the mark within the level, consider the following:

Quality of the answer	**Award mark**
Consistently meets the criteria for this level	At the top of the level
Meets the criteria but with some inconsistency	At the middle of the level
On the borderline of this level and the one below	At the bottom of the level

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MARK SCHEME

1	
Max mark	1 (PO1)
Answer	Computer
Guidance	Correct answer only.

2	
Max mark	1 (PO1)
Answer	The base rate
Guidance	Correct answer only.

3	
Max mark	1 (PO1)
Answer	VAT
Guidance	Correct answer only.

4 (a)	
Max mark	2 (PO2)
Answer	90
Guidance	Look for the correct answer **first**. If the correct answer is present on the answer line, award two marks and **ignore** anything else that is written in the answer space. Otherwise: • 1 mark for correct workings out but an incorrect answer on the answer line **OR** • 1 mark for 90 if seen but incorrect answer given on the answer line

4 (b)	
Max mark	1 (PO2)
Answer	January/Jan
Guidance	Correct answer only.

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4 (c)	
Max mark	1 (PO2)
Answer	May
Guidance	Correct answer only.

5	
Max mark	4 (PO2)
Answer	**One mark for each** correct type of savings account identified, to a **maximum of two marks**: • Easy/instant access • (Instant access) **Cash** ISA • Premium bonds **One mark for each** correct description of the savings account identified, to a **maximum of two marks**.
Guidance	Type of account must be correct to award the description mark(s).

6	
Max mark	4 (PO2)
Answer	**One mark for each** correct impact identified, to a **maximum of two marks**: • She is able to have the television immediately • She will own the television • She will not have any repayments until after she gets her **first** pay • She may not have enough money for day-to-day expenses the following month (if she pays the full balance) • It may negatively impact her ability to borrow in the future (if she fails to keep up the payments) **One mark for each** correct explanation of the impact of using a credit card, to a **maximum of two marks** **Credit any other applied appropriate response.**
Guidance	

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7	
Max mark	2 (PO1)
Answer	Any **two** from: • Broadband • Electricity • Gas • Water
Guidance	The focus of the question is generic. The answer does **not** have to be applied to the context but accept answers which are applied to the context.

8	
Max mark	3 (PO3)
Answer	**One mark** for identifying a disadvantage to Anika. **One mark** for a feature of a Lifetime ISA that leads to the disadvantage. **One mark** for how the disadvantage may impact Anika. • if she doesn't use it to buy her first property then she cannot access it before retirement without a penalty because it has to be used for either a first property or retirement • it will affect her ability to save in other types of ISA's as savings are included in her ISA limit • she may still need to open another savings account as there's a limit to how much can be saved in a LISA each year – currently £4 000 • she might not be able to use it to help buy her first property because currently the property cannot cost more than £450 000 • she will have to pay a penalty if she withdraws the money **Credit any other appropriate response**
Guidance	

9	
Max mark	1 (PO1)
Answer	Interest from savings
Guidance	Correct answer only.

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10	
Max mark	1 (PO1)
Answer	Clearing house automated payment system
Guidance	Correct answer only.

11	
Max mark	1 (PO2)
Answer	Private
Guidance	Correct answer only.

12 (a)	
Max mark	1 (PO2)
Answer	**One mark** for identification of an example of discretionary spending (relevant to the Section B case study): • Buildings, contents, house insurance • Clothing • Eating out, going for coffee, socialising • Entertainment • Furniture • Hobbies, golf, cycling, sports equipment • Travel insurance • Travel, holidays **Credit any other applied appropriate response**
Guidance	Do **not** accept: • Pension

12 (b)	
Max mark	1 (PO2)
Answer	**One mark** for an explanation of what makes the example given in Q12(a) discretionary spending.
Guidance	Explanation must relate to the example given in Q12a.

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13 (a)	
Max mark	4 (PO2)
Answer	**One mark for each** correct identification of a way that risk could be mitigated, to a **maximum of two marks**: • change passwords regularly • do not give anyone else login details • do not give out account details without checking the authenticity of the recipient • do not throw away statements, destroy statements • regularly update computer software • strong password, not repeating passwords already used • use anti-malware/anti-virus software • use secure wi-fi connections **One mark for each** explanation of why this will mitigate the risk, to a **maximum of two marks**. Credit any other appropriate response
Guidance	Do **not** accept responses that relate to hacking not associated with a current account.

13 (b)	
Max mark	4 (PO1)
Answer	**One mark for each** identification of a consequence, to a **maximum of two marks**: • Additional charges • Negative impact on ability to borrow in the future • Negative impact on credit score • Repossession **One mark for each** explanation of why this will result from not meeting mortgage repayments (the 'because') to a **maximum of two marks**. **Credit any other appropriate response**
Guidance	Do **not** accept: • will be homeless The focus of the question is generic. The answer does not have to be applied to the context but accept answers which are applied to the context.

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14 (a)	
Max mark	2 (PO2)
Answer	**One mark for each** source appropriate to retirement planning identified, to a **maximum of two marks**: • family, friends • financial providers e.g. bank, pension providers • Government • independent financial advisors • workplace advisors (Amit)
Guidance	Credit any other appropriate response

14 (b)	
Max mark	2 (PO2)
Answer	**One mark for each** correct explanation of the appropriate source, to a **maximum of two marks**. Explanation must relate to the source given in 14(a) For example: the Government will be able to provide a state pension forecast.
Guidance	Explanation must relate to information from the Section B case study.

15	
Max mark	4 (PO1)
Answer	**One mark for each** benefit identified, to a **maximum of two marks**. **One mark for each** benefit explained, to a **maximum of two marks**. • contributions will always be paid (as the employer takes contributions directly from wage/salary) • employer will also make contributions (at no additional cost to the employee) • saves the employee time (as the pension is arranged by the employer) • tax relief from the Government on contributions (which will increase the pension 'pot') • will receive a pension in retirement (in addition to the state pension) **Credit any other appropriate response.**
Guidance	Benefit must be seen for the first mark.

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16	
Max mark	9 (PO3)
Levels of Response	**Level 3 (high) 7-9 marks** A **thorough** discussion which shows **detailed** evaluation, which includes: • a **range** of points from **both** sides of the argument • a **detailed** analysis in the context of the question • a **clear** conclusion(s) with **detailed** reasons/justifications • **consistent** use of appropriate subject terminology. **Level 2 (mid) 4-6 marks** An **adequate** discussion which shows **sound** evaluation, which includes: • **some** points from **both** sides of the argument • **some** analysis in the context of the question • an **adequate** conclusion(s) with **relevant** reasons/justifications • **some** use of appropriate subject terminology. **Level 1 (low) 1-3 marks** A **basic** discussion which shows **limited** evaluation, which includes: • a **few** points from the argument • a **limited** analysis in the context of the question • a **brief** conclusion(s) with **limited** reasons/justifications • use of appropriate subject terminology is **limited**. **0 marks** Answer is **not** worthy of credit.
Indicative content	Answers can include some of the following: Advantages of using savings: • it reduces monthly outgoings (for 5 years) • they already have £36 000 saved Disadvantages of using savings: • Amit already thinks that they need to think about saving more money • less savings available for any unforeseen emergencies • they are wanting to start saving for retirement • they have an offset mortgage Advantages of using hire purchase: • can repay over 5 years • having/meeting repayments may help their credit score • low interest payments

SAMPLE

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	Disadvantages of using hire purchase: • Amit has previously struggled to repay a hire purchase agreement • committed to paying for 5 years • may want to replace furniture again within that time Discussion points: • they have £36 000 saved but they also have an offset mortgage. Reducing savings will increase their mortgage interest payments. • reduction in monthly outgoings by using savings will to an extent be offset by paying interest on the mortgage • Amit may be averse to hire purchase having struggled previously to repay an agreement • Amit believes that they should reduce discretionary spending (e.g. furniture) to be able to save more • they have just bought a house using a mortgage so their credit score must be sufficient for this • repaying their mortgage will help their credit scores so hire purchase not necessarily required to improve this • may want to replace the furniture again whilst still paying for this furniture Either option can be chosen as long as it is a reasoned recommendation. **Credit other relevant conclusions, points and examples.**

SAMPLE